

# Exhibit 4



July 25, 2007 7:18 p.m. EDT

### **3rd UPDATE: SEC Charges Former KLA-Tencor CEO In Backdating**

**DOW JONES NEWSWIRE**  
July 25, 2007 7:18 p.m.

(Adds comment from Schroeder lawyer in fifth, 10th and 11th paragraphs; background on executive departures in 12th paragraph.)

By Siobhan Hughes  
Of DOW JONES NEWSWIRE

**WASHINGTON (Dow Jones)**--The U.S. Securities and Exchange Commission on Wednesday charged the former chief executive of KLA-Tencor Corp. (KLAC) with engaging in a scheme to backdate stock option grants even after he was told by the company's top lawyer that it was improper to do so without telling investors.

The SEC filed civil-fraud charges against Kenneth Schroeder, 61 years old, of Los Altos Hills, Calif., accusing him of repeatedly backdating options between 1999 and 2002. The SEC also said he backdated in 2005, after passage of the Sarbanes-Oxley Act limited backdating opportunities by requiring companies to disclose stock-options awards within two days.

"We've all heard executives say that they didn't know how to properly account for stock options pre-Sarbanes-Oxley," said Michael Dicke, assistant regional director in the SEC's San Francisco office. "At least here, the CEO was correctly advised not to backdate, and how to properly disclose the company's stock options practices. He chose to ignore that advice."

Stock options give the holder the right to buy stock at a price determined on the date of the grant. Backdating involves pretending the options were granted on an earlier date when the price was lower. The practice can land executives and companies in hot water with the SEC, the Internal Revenue Service and the Justice Department if it isn't

disclosed.

Schroeder plans to fight the SEC charges. "When Mr. Schroeder became CEO in mid-1999, he inherited a process that appeared to him to be working properly," his lawyer, Shirli Weiss, said in a statement. "The company's failure to properly account for its option grants is the proper responsibility of those at the company charged with implementing its internal accounting controls. For his part, Mr. Schroeder has always been clear about his understanding of the matter."

The SEC separately accused KLA-Tencor of concealing more than \$200 million in stock option compensation over eight years starting in 1998 by backdating the grants to avoid reporting expenses to investors. The San Jose semiconductor company wasn't fined, and settled without admitting or denying wrongdoing. KLA-Tencor said in a statement that the settlement resolves the SEC's investigation into its options-granting practices.

From July 1999 until mid-2002, KLA-Tencor's human-resources department was instructed to create a list of newly hired employees, wait several weeks, obtain a list of the company's closing stock price for the past several weeks, highlight the three or four lowest prices, and forward the list to the stock option committee, the SEC said. It was "a recipe for backdating that was followed for years," Dicke said.

Schroeder sat on the stock-option committee, and month after month routinely signed backdated option grant approvals without ever ensuring the grants were accounted for appropriately, the SEC said. He made the approvals even after receiving a March 2001 memo from KLA-Tencor's general counsel saying that selecting options-grant dates after the fact would require the company to take a compensation charge and that doing so without disclosure could violate the law, the SEC said. Stuart Nichols was general counsel of KLA-Tencor at the time.

In an email back to the general counsel cited by the SEC, Schroeder wrote: "the compensation committee has given the stock option committee (Gary, Ken and I) power to set the price of stock options... Please don't take away some of my best tools for attracting and retaining people. We need those people to win the battle. Help me, don't just tell me how to follow a strict interpretation of the rules. I need a 'war time counselor,' not someone who can recite page and verse."

The SEC alleged that Schroeder, besides wanting to attract and retain workers, was motivated in part by personal gain because he knew that he and other officers received options backdated to the same dates that the employees' options were. Schroeder's lawyer claims that his client didn't exercise the options granted while he was CEO, and made only \$26,000 from the backdated portion of one option granted to him while he was CEO.

"Other KLA-Tencor executives, some of whom are still with the company, made hundreds of thousands of dollars from the backdated portion of their options," Weiss said in a statement. "What the SEC is attempting to do is to recover gain from non-backdated

options granted to Mr. Schroeder in the 1990s when he was COO."

Schroeder, Nichols, and KLA-Tencor's chairman and founder, Kenneth Levy, resigned last year as the company acknowledged that some of its options were backdated. The SEC said in a release that its investigation is continuing.

KLA-Tencor shares rose 20 cents to \$59.51 on Wednesday.

-By Siobhan Hughes, Dow Jones Newswires; 202-862-6654;  
siobhan.hughes@dowjones.com